

Summary:

Dedham, Massachusetts; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile		
US\$8.89 mil GO bonds ser 2011 dtd 06/15/2011 due 06/15/2031		
Long Term Rating	AA+/Stable	New
Dedham GO		
Long Term Rating	AA+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating and underlying rating (SPUR) to Dedham, Mass.' general obligation (GO) bonds, and affirmed its 'AA+' long-term rating, and stable outlook, on the town's parity debt outstanding.

The rating reflects our assessment of the town's:

- Good location south of Boston, on Route 128 with easy access to many of the commonwealth's major employment centers;
- Mature and diverse tax base, which has recently added multiple large developments not fully reflected in assessed value;
- Extremely strong per capita market value, coupled with strong resident income levels;
- Strong and well-embedded financial management policies and procedures, and strong available fund balance levels;
- Low-to-moderate overall net debt burden, coupled with limited future capital needs.

The town's full faith and credit pledge secures the bonds. We understand that the town will use bond proceeds primarily for school construction.

Dedham (2010 population: 24,949) is a fully developed, primarily residential community with a strong commercial and retail component, adjacent to southern Boston. With nearby commuter-rail links and direct access to Route 128/Interstate 95, Dedham's residents have access to downtown Boston and most of the commonwealth's largest employment centers, making the town attractive to professionals. In our opinion, the per capita market values are extremely strong at about \$161,100, and the income measures for the town are strong with median household effective buying income (EBI) and per capita EBI of 141% and 131% of the national level, respectively. The 2010 unemployment rate was 7.9%, lower than the state and national levels.

The property tax base decreased by 1.6% for fiscal 2010 but increased slightly for fiscal 2011, which brought assessed valuation (AV) to \$4.02 billion, which is approximately 70% higher than five years earlier. The tax base remains diverse, with the 10 leading taxpayers accounting for about 11% of AV and 16% of the tax levy, although the concentration has increased from prior years due to two large developments that are now reflected in the AV: the Legacy Place lifestyle center mall and the Newbridge on the Charles assisted living center, which is owned by Hebrew Senior Life. The difference between the concentration percentages for AV and levy are due to the town's dual tax rate. The Newbridge complex is now the town's leading employer, with 650 jobs. Officials indicate that

much of the Legacy Place value was reflected in the fiscal 2011 AV and that the Newbridge facility makes a payment in lieu of taxes in addition to the property taxes it pays on a portion of its facility. Tax collections have remained strong, and were over 100% in fiscal 2010.

Dedham's unreserved general fund and stabilization balances increased in fiscal 2010, and the combination of these two balances was \$7.6 million or 9.0% of general fund expenditures. The fiscal 2011 general fund budget appropriated \$1.6 million of reserved general fund balance, although officials project breakeven results for the year despite overexpenditures in snow removal costs. The fiscal 2012 budget includes the use of \$1.3 million of general fund balance for capital expenditures, but no use of the stabilization fund balance. The receipts from newly authorized local-options taxes on meals and hotel rooms will be placed into a capital stabilization fund. All but one of the town's collective bargaining contracts have been settled, and management projects that the budget contains sufficient funding to settle the last contract. Dedham's management practices are considered "strong" under Standard & Poor's financial management assessment methodology, indicating Dedham's financial practices are strong, well-embedded, and likely sustainable.

Following this bond issuance, Dedham's overall net debt is low to moderate, in our view, at about \$2,300 per capita and 1.4% of market value. The carrying charge in fiscal 2010 was low at less than 8% of general fund expenditures. Amortization is rapid, with more than 80% of long-term debt retired over the next 10 years. About 50% of the town's GO debt has been excluded from the Proposition 2 1/2 limitations. Management estimates that the town's additional debt needs are limited. The town has no variable-rate debt or interest-rate swap exposure.

As of July 1, 2010, the town's other postemployment benefits (OPEB) liability was estimated to be \$72.6 million based upon a 5.75% discount rate. Dedham has established an OPEB trust fund to meet its obligation, and has contributed \$1.4 million into this fund as of June 30, 2010. Officials project that the town will contribute \$500,000 to the fund in fiscal 2011 and a similar amount in 2012. The total OPEB contribution in 2010 was \$3.5 million, or 70% of the annual OPEB cost. The unfunded pension liability as of Jan. 1, 2010, was \$22.2 million, a 79.4% funded level.

Outlook

The stable outlook reflects Standard & Poor's expectation that Dedham will maintain an adequate financial position despite additional state aid reductions. In addition, we expect debt levels to remain low due to limited capital needs. If the town's financial position significantly declines, Standard & Poor's could lower the rating. However, if the recent economic development results in a strengthening of the financial position and the economy remains strong, we could raise the rating.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of June 2, 2011)

Dedham GO

Unenhanced Rating

AA+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

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